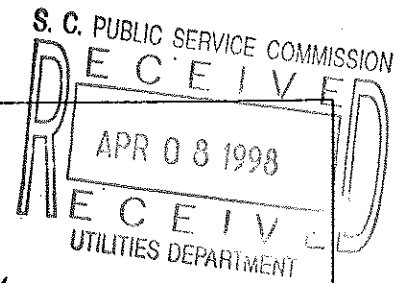


ORIGINAL



***Annual Review
Of
Base Rates for Fuel Costs
Of
South Carolina Electric & Gas Company***

Docket No. 98-002-E

***HEARING DATE
April 22, 1998***

POSTED
4/8/98
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***Testimony of
A. R. Watts
Utilities Department***

South Carolina Public Service Commission

TESTIMONY OF A. R. WATTS**FOR****THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA****DOCKET NO. 98-002-E****IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY**

Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?

A. A. R. Watts, 111 Doctors Circle, Columbia, South Carolina. I am employed by The Public Service Commission of South Carolina, Utilities Department, as an Engineer Associate of the Utilities Department.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Electrical Engineering from the University of South Carolina in Columbia in 1976. I was employed at that time by this Commission as a Utilities Engineer in the Electric Department and was promoted to Chief of the Electric Department in August 1981. I have been in my current position since July 1995. I have attended professional seminars relating to Electric Utility Rate Design, and have testified before this Commission in conjunction with fuel clause and general rate proceedings.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to summarize Staff's findings and recommendations as set forth in the Utilities Department's portion of the Staff Report.

Q. WHAT SPECIFIC AREAS WERE ENCOMPASSED BY STAFF'S EXAMINATION?

A. The Utilities Department's examination of the Company's fuel operations consisted of a review of the Company's monthly operating reports, review of the currently

1 approved adjustment for fuel costs Rider, and review of the Company's short-term
2 projections of kilowatt-hour sales and fuel requirements.

3 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**
4 **THE PERIOD?**

5 **A.** Yes, we reviewed the Company's operation of its generating facilities, including
6 special attention to the nuclear plant operations, to determine if the Company made
7 every reasonable effort to minimize fuel costs.

8 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT**
9 **DETERMINATION THAT THE COMPANY HAS ACTED**
10 **UNREASONABLY IN OPERATING ITS FACILITIES AND THEREBY**
11 **CAUSING ITS CUSTOMERS TO BE SUBJECT TO PAYING HIGHER**
12 **FUEL COSTS?**

13 **A.** No, the Company's generating facilities, particularly the nuclear unit,
14 operated very well during the period under review. The nuclear unit averaged
15 96.9% capacity factor with adjustments. The major fossil units averaged over
16 95% availability for the majority of the period under review as indicated on Utilities
17 Department Exhibit No. 1. Staff also examined records to determine if the utility
18 achieved an adjusted capacity factor for the period under review of 92.5% as
19 required by the statute to presume cost minimization. As previously stated, the
20 nuclear generation systems net capacity factor was 96.9% with adjustments,
21 exceeding the statutory requirement threshold of 92.5% to presume cost
22 minimization.

23 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**
24 **DEPARTMENT'S EXHIBITS?**

25 **A.** Exhibit No. 2 shows the Company's Unit Outages for the months of March 1997
26 through February 1998, listing the plants by unit, duration of the outage, reason for
27 the outage, and corrective action taken. Exhibit No.3 lists the Company's
28 percentage Generation Mix by fossil, nuclear, and hydro for the period March 1997
29 through February 1998. Exhibit No. 4 reflects the Company's major plants by
30 name, type of fuel used, average fuel cost in cents per KWH to operate, and total

1 megawatt-hours generated for the twelve months ending February 1998. Exhibit
2 No. 5 shows a comparison of the Company's original retail megawatt-hour estimated
3 sales to the actual sales for the period under review. Exhibit No. 6 is a comparison of
4 the original fuel factor projections to the factors actually experienced for the twelve
5 months ending February 1998. Exhibit No. 7 is a graphical representation of the
6 data in Exhibit No. 6. Exhibit No. 8 is the Company's currently approved Retail
7 Adjustment for Fuel Costs tariff. Exhibit No. 9 is a history of the cumulative
8 recovery account. Exhibit No. 10 is a table of estimates for the cumulative recovery
9 account balance for various base levels of fuel factors for the period ending April
10 1999.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes, it does.